

Message Text

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ACTION AF-04

INFO OCT-01 SS-14 ADP-00 NSC-10 NSCE-00 CIAE-00 INR-10

NSAE-00 RSC-01 SCEM-01 CIEP-01 EB-03 L-02 PRS-01

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FM AMEMBASSY TRIPOLI

TO SECSTATE WASHDC 0124

INFO AMEMBASSY LONDON

C O N F I D E N T I A L TRIPOLI 0703

LIMDIS

E. O. 11652: GDS

TAGS: CPRS, ENRG, LY

SUBJECT: COMPENSATION FOR NATIONALIZATION: CONTINGENCY
PLANNING

1. FROM WHAT WE HEAR OF CURRENT LARG/ OIL COMPANIES
CONFRONTATIONS OVER LARG DEMANDS FOR " FULL CONTROL" AND
FULL PARITY ADJUSTMENT, INCLUDING ESPECIALLY THE CASE
OF BUNKER HUNT (TRIPOLI 0692), IT IS FORESEEABLE THAT
WE WILL HAVE THE NATIONALIZATION BY THE LARG OF
AN AMERICAN OIL COMPANY IN LIBYA. APART FROM MORE
DIRECT INDICATIONS THIS IS COMING SOONER OR LATER, IT
MAKES EMINENT SENSE AS A LARG NEGOTIATING TACTIC WITH
THE BIGGER COMPANIES. IT WOULD SHOW THEM LARG' S
THREATS ARE SERIOUS, AND IN THE CASE OF BH THAT LARG
CAN PROBABLY MARKET COMPANY OIL AS WELL AS PRODUCE IT.

2. IF PREVIOUS CASES OF NATIONALIZATION HERE, E. G.
BP AND LOCAL DISORIBUTION SYSTEMS, ARE A GUIDE, THE
LARG MOVE WILL BE ANNOUNCED SUDDENLY AS FAIT ACCOMPLI.
PROVISION FOR COMPENSATION MAY BE PART OF DECREE,
BUT OF COURSE ON LARG' S TERMS. IN PRACTICE, THAT
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COMPENSATION IS UNOBTAINABLE, AT LEAST IT HAS BEEN TO DATE.

3. REALIZE THAT FULL USG REACTION CANNOT BE FORMULATED PRECISELY TILL THE SHOE DROPS, BUT URGE THAT PART OF IT BE THE DESPATCH OF A NOTE OUTLINING USG POSITION ON COMPENSATION AND ASKING FOR IT TO BE PROMPT AND

ADEQUATE (EFFECTIVE CONVERTIBILITY IS NOT LIKELY BE A PROBLEM IN CASE OF LIBYA). THE AFFECTED COMPANY ITSELF MAY HAVE CONTRARY VIEW OF WISDOM OF AN EARLY USG "INTERVENTION", BUT I BELIEVE IT OWES AN OBLIGATION TO REST OF INDUSTRY GROUP FOR PAST SUPPORT, E. G. UNDER SHARING AGREEMENT.

POINT IS THAT, IN THE PROSPECTIVE "NEGOTIATING" CONTEXT FOR THE REMAINING COMPANIES IN LIBYA, AN EARLY AND CLEAR-CUT STATEMENT OF USG POSITION ON COMPENSATION MAY HAVE A SOBERING EFFECT -- WHETHER THE COMPANIES REALIZE IT OR NOT (EACH TENDS TO THINK IT MIGHT ULTIMATELY RECEIVE SOME SPECIAL CONSIDERATION BECAUSE OF ITS SPECIAL POSITION). IN ANY CASE, I ASSUME THAT USG WOULD WANT EARLY ON TO ESTABLISH WITH LARG THE ESSENTIALS OF OUR ATTITUDE TOWARD TAKING PRIVATE U. S. PROPERTY WITHOUT PROMPT OR ADEQUATE COMPENSATION, OR CREDIBLE PROVISIONS THEREFOR.

4. VIEW OF COMPLEXITIES OF RELATED ISSUES AND CONSIDERATIONS, REQUEST WHEN TIME COMES DEPT DRAFT ANY NOTE SENT OR AUTHORIZED. IN FACT, SUGGEST PREPARATORY WORK ON CONTINGENCY BASIS BEGIN NOW.
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